LOAN NUMBER 9423-MD

Loan Agreement

(MSMEs Competitiveness Project)

between

REPUBLIC OF MOLDOVA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN NUMBER 9423-MD

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOLDOVA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS the Borrower and the International Development Association have entered into a financing agreement ("Financing Agreement") dated as of the Signature Date for the purpose of providing a credit in the amount of twenty nine million eight hundred thousand Euros (EUR 29,800,000) to assist in financing the project described in Schedule 1 to this Agreement ("the Project"), on terms and conditions set forth in the Financing Agreement.

The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of seventeen million seven hundred thousand Euro, (EUR 17,700,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are January 15 and July 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (i) through MoE, carry out Parts 1, 3, 4 and 5 of the Project, and (ii) through MoE, cause ODIMM to carry out Part 2 of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) That the CGF Legislation has been amended, abrogated, suspended, repealed or waived so as to affect, materially and adversely, the implementation of Part 2.1 of the Project.

(b) That ODIMM Legislation has been amended, abrogated, suspended, repealed or waived so as to affect, materially and adversely, the ability of ODIMM to perform any of its obligations under the Project.

4.02. The Additional Events of Acceleration consist of the following, namely, that any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Project Operations Manual has been prepared and adopted by the Borrower in a manner satisfactory to the Bank.

(c) The Matching Grants Manual has been prepared and adopted by MoE and ODIMM in a manner satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date one hundred and fifty (150) days after the Signature Date.

5.03. For purposes of Section 9.05(b) of the General Conditions, the date on which the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Ministry of Finance
Constantin Tanase Street, 7
MD-2005 Chisinau
Republic of Moldova; and

(b) the Borrower's Electronic Address is:

E-mail:
cancelaria@mf.gov.md

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF MOLDOVA

By _____

Authorized Representative

Name: Sergiu Gaibu

Title: Minister

Date: 7.07.2022

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By _____

Authorized Representative

Name: INGUNA DOBRAJA

Title: COUNTRY MANAGER

Date: July 7, 2022

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to reduce the regulatory burden, increase access to finance, and increase the export competitiveness of Moldovan Enterprises, and (ii) in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Project consists of the following parts:

Part 1: Digitization and regulatory reform

1. Scaling up the digitization of G2B services at the national and local levels, through:

   (a) the upgrade of the MMIP, including improved interoperability, data sharing through MConnect and efficiency in processing Business Permits, the digitization of paper-based registries, and MMIP's deployment to subnational level;

   (b) digitizing additional national level Business Permits to be processed through the MMIP;

   (c) the re-engineering and digitization of local level Business Permits in all rayons through the implementation of MMIP and carrying out public outreach activities; and

   (d) increasing the Online Application Rate for Business Permits through EEPs.

2. Enhancing and digitizing Business Inspections Procedures, through:

   (a) the development of risk-based inspection models and the revision of Business Inspection Procedures to emphasize preventive and advisory roles, and to incorporate the use of the E-Inspections System;

   (b) capacity building of business inspectors on the revised Business Inspection Procedures;

   (c) upgrading the existing inspection registry software to an E-Inspection System, including:

      i. the integration with the external registries and databases for automated risk-based inspection scheduling.

      ii. the digitization and upgrade of Selected Registries to make them interoperable with the E-Inspections System.

      iii. The provision of online access to the E-Inspection System to

Moldovan Enterprises for: (a) performing a self-assessment on compliance, (b) learning on good practices including on risk management, (c) accessing their inspection history, and (d) receiving notifications;

(d) developing terms of reference and procurement of Inspection Equipment for the Inspection Agencies; and

(e) increasing the implementation of KPIs by the Inspection Agencies through EEPs.

3. Developing an Integrated Service Delivery Platform.

4. Simplifying regulations and process re-engineering for national level Business Permits.

5. Increasing MSMEs' competitiveness and enabling exports through, *inter alia*: (a) building capacity in metrology and testing by upgrading selected laboratories and strengthening institutional capacity, (b) ensuring the traceability of the measurements performed by Moldovan Enterprises, as well as access to quality infrastructure services, and (c) strengthening accreditation and certification capacity.

Part 2: Access to Finance

1. Capitalizing the CGF for the provision of Portfolio Guarantees for investment loans and working capital loans given to Selected MSMEs by PFIs.

2. Institutional strengthening of ODIMM with regards to the CGF through:

(a) technical assistance on: (i) financial management and reporting, (ii) information technology, (iii) corporate governance, (iv) risk management and internal control, and (v) monitoring and evaluation; and

(b) the procurement of information technology equipment.

3. Providing Training on climate change topics to PFIs and other Financial Sector Institutions.

Part 3: MSME Development and Export Competitiveness

1. Operationalization of ODIMM's export readiness program for MSMEs by designing a mechanism for screening and assessment of MSMEs to identify deficiencies in their structure and business plans and prepare Business Improvement Plans to address them.

2. Provision of Matching Grants to Eligible MSMEs to implement Business Improvement Plans focused on export competitiveness, through the MGF.

3. Building capacity of Identified MSMEs, especially on EU export requirements, through export missions and information sharing on foreign market requirements.

4. Enabling local linkages with foreign manufacturing firms by gathering information and populating ODIMM's Buyer-Supplier Platform with market data.

5. Capacity building of ODIMM and MSMEs on climate related topics, including climate-informed production, mitigation and adaptation.

Part 4: Project Management and Implementation

Carrying out project management activities including: (a) carrying out financial management, procurement, environmental and social requirements of the Project; (b) monitoring and evaluating the Project, including third-party monitoring; and (c) Training and Operating Costs under the Project.

Part 5: Contingent emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. For the purposes of the Project, the Borrower, through the MoE, shall be responsible for the overall implementation of the Project.

2. To facilitate the carrying out of the Project, the Borrower shall:

   (a) through MoE, establish and thereafter, operate and maintain throughout Project implementation, a Project Implementation Unit ("PIU") with functions, staffing, and responsibilities satisfactory to the Bank, as set forth in the Project Operations Manual, including, *inter alia*, a Project director, a procurement specialist and a financial management specialist.

   (b) through MoE, no later than thirty (30) days after the Effective Date, hire or appoint to the PIU, a monitoring and evaluation specialist, an environmental specialist, and a social specialist, all with qualifications and functions acceptable to the Bank as further set forth in the Project Operations Manual.

   (c) through MoE, cause ODIMM, for purposes of implementing Part 3.2 of the Project, to, no later than thirty (30) days after the Effective Date, establish and thereafter operate and maintain throughout Project implementation, the MGFT with functions, structure and staff acceptable to the Bank, including, *inter alia*, a coordinator and a matching grants specialist, as further set forth in the Project Operations Manual.

B. Subsidiary Agreement.

1. To facilitate the carrying out of Part 2 of the Project, the Borrower shall make part of the proceeds of the Loan available to ODIMM under a subsidiary agreement between the Borrower and ODIMM, under terms and conditions approved by the Bank ("Subsidiary Agreement"), which shall include the following:

   (a) the roles and responsibilities of ODIMM with regards to the implementation of Part 2 of the Project;

   (b) the obligation of ODIMM to comply with the technical, procurement, fiduciary, environmental and social requirements applicable to the Project, including the Project Operations Manual, the ESS and the ESCP, the Procurement Regulations and the Anti-Corruption Guidelines, all in

accordance with the provisions of this Agreement, including the Project Operations Manual and the CGF Operations Manual; and

(c) the obligation of ODIMM to enter into Guarantee Agreements with PFIs, in the terms set forth in Section I.C. of this Schedule.

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

3. Except as the Bank shall otherwise agree, the Borrower, shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

4. Notwithstanding the foregoing, in the event of a conflict among the provisions of the Subsidiary Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

C. Guarantee Agreements

1. To facilitate the implementation of Part 2.1 of the Project, the Borrower shall cause ODIMM, through the Subsidiary Agreement, to enter into partial credit guarantee agreements with PFIs ("Guarantee Agreements") prior to participating in the Portfolio Guarantee Scheme under terms and conditions acceptable to the Bank, including, *inter alia*:

(a) the charges for the partial credit guarantee commitment issued by ODIMM in accordance with ODIMM Legislation;

(b) the requirement that each PFI shall carry out activities covered by the Portfolio Guarantees in accordance with the Anti-Corruption Guidelines, the ESS and the ESCP;

(c) the obligations of each PFI to issue loans to be covered by the Portfolio Guarantees under terms and conditions satisfactory to ODIMM;

(d) the coverage percentage which shall not exceed:

(i) for the capped portfolio: 80% of the amount of each individual loan covered by the Portfolio Guarantee which combined shall not exceed 20% of the total value of the loans covered by the Portfolio Guarantee under the Guarantee Agreement, as said percentages may be revised from time to time by mutual agreement between the Borrower and the Bank and reflected in the CGF Operations Manual.

(ii) for the uncapped portfolio, 50% of the amount of each individual loan covered by the Portfolio Guarantee, as said percentage may be revised from time to time by mutual agreement between the Borrower and the Bank and reflected in the CGF Operations Manual.

(e) the maximum amount of the individual loans to be covered by the Portfolio Guarantee, is MDL 500,000,000 or EUR 250,000, as said amount may be revised from time to time by mutual agreement between the Borrower and the Bank and reflected in the CGF Operations Manual.

(f) the obligation of each PFI to conduct due diligence to applicant MSMEs; and

(g) the PFI ESMS, all in accordance with the eligibility criteria and procedures acceptable to the Bank set forth in the CGF Operations Manual, and pursuant to the respective Guarantee Agreement.

2. The Borrower, through MoE, shall cause ODIMM to exercise its rights under each Guarantee Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

3. Except as the Bank shall otherwise agree, the Borrower, through MoE, shall cause ODIMM not to assign, amend, abrogate, waive or fail to enforce each Guarantee Agreement or any of its provisions.

4. In case of inconsistencies between each Guarantee Agreement and this Agreement, the provisions of this Agreement shall prevail.

D. Matching Grants

1. The Borrower, through the MoE, shall cause ODIMM to retain the MGFT in numbers, with qualifications, experience and responsibilities acceptable to the Bank and set forth in the Matching Grants Manual.

2. For purposes of the implementation of Business Improvement Plans under Part 3.2 of the Project, the Borrower, through MoE, shall provide Matching Grants of up to six hundred thousand Moldovan Lei (MLD 600,000) equivalent to thirty thousand United States Dollars (US$30,000), to each Matching Grant Beneficiary, as said amount may be revised from time to time by mutual agreement between the Borrower and the Bank and reflected in the Matching Grants Manual; all according to the terms, conditions, and eligibility criteria set forth in the Matching Grants Manual.

3. To facilitate the carrying out of Part 3.2 of the Project, and prior to the provision of any Matching Grant to any Matching Grant Beneficiary, the Borrower shall cause ODIMM to sign with said Matching Grant Beneficiary, an agreement

("Matching Grant Agreement") in terms and conditions acceptable to the Bank and according to the model form set forth in the Matching Grants Manual, including, *inter alia*:

(a) the obligation of ODIMM, to transfer, through MoE, part of the Loan proceeds to the Matching Grant Beneficiary on a grant basis;

(b) the Matching Grant Beneficiary's obligation to implement its Business Improvement Plan in accordance with the Anti-Corruption Guidelines, the relevant provisions of the Project Operations Manual, the Matching Grants Manual, the Procurement Regulations, the ESS, the ESCP, and all the pertinent provisions of this Agreement;

(c). the Matching Grant Beneficiary's obligation to contribute the same amount of the Matching Grant, in cash.

(d). the Matching Grant Beneficiary's obligation to use that goods, works, non-consulting services and consulting services to be financed out of the proceeds of the Matching Grant exclusively to carrying out its Business Improvement Plan;

(e). the right of ODIMM to suspend and terminate the right of the Matching Grant Beneficiary to the use of the proceeds of the Matching Grant upon failure by the Matching Grant Beneficiary to perform any of its obligations under the Matching Grant Agreement;

(f). the ability of ODIMM to inspect, by itself or jointly with representatives of the Bank, if the Bank so requests, such goods and sites, works and construction included in the Business Improvement Plan, the operation thereof, and any relevant records and documents; and

(g). the obligation of the Matching Grant Beneficiary to provide all such information as the Bank or the Borrower, through ODIMM, shall reasonably request related to the implementation of the Business Improvement Plan.

4. The Borrower, through MoE, shall cause ODIMM to exercise its rights under each Matching Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, all in accordance with the Matching Grants Manual.

5. Except as the Bank shall otherwise agree, the Borrower, through MoE, shall cause ODIMM not to assign, amend, abrogate, waive, terminate or fail to enforce any Matching Grants Agreement or any of their provisions.

E. Manuals

1. Project Operations Manual

(a). The Borrower, through MoE, shall carry out the Project in accordance with the provisions of a manual (the "Project Operations Manual") acceptable to the Bank, which shall include, *inter alia*: (i) a detailed description of Project activities and institutional arrangements for the Project; (ii) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures; (iii) the monitoring indicators for the Project; and (iv) the institutional and administrative mechanisms established to ensure inter-institutional coordination.

(b) Except as the Bank may otherwise agree in writing, the Borrower, through MoE, shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Project Operations Manual, or any provision thereof.

(c). In case of any conflict between the terms of the Project Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

2. CGF Operations Manual

(a) In order to ensure adequate implementation of Part 2.1 of the Project, the Borrower, through MoE, shall cause ODIMM to prepare and adopt an operations manual for the CGF ("CGF Operations Manual"), in form and substance satisfactory to the Bank, which shall include, *inter alia*: (i) terms and conditions of the Portfolio Guarantees to be provided by ODIMM to PFIs; (ii) the eligibility criteria and selection procedures for PFIs; (iii) selection criteria and appraisal procedures to be followed by the PFIs for loans to Selected MSMEs; (iv) the list of activities that are excluded from receiving Portfolio Guarantees under Part 2.1 of the Project; (v) the operational, legal, and financial terms and conditions of Portfolio Guarantees to be provided by the PFIs to Selected MSMEs under Part 2.1 of the Project; (vi) the template Guarantee Agreement; and (vii) implementation arrangements related to the Environmental and Social Standards, specifically related to the Project ESMS and the respective PFI ESMSs.

(b) Except as the Bank may otherwise agree in writing, the Borrower, through MoE, shall cause ODIMM not to abrogate, amend, suspend, waive or otherwise fail to enforce the CGF Operations Manual, or any provision thereof.

(c) In case of any conflict between the terms of the CGF Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.

3. Matching Grants Manual

(a) In order to ensure adequate implementation of Part 3.2 of the Project, the Borrower, through MoE, shall prepare and adopt a manual for the provision of Matching Grants ("Matching Grants Manual"), in form and substance satisfactory to the Bank, which shall include, *inter alia*: (i) the eligibility criteria, selection procedures, approval and implementation conditions of the Matching Grants; (ii) the accounting, disbursements, financial management, procurement, social and environmental procedures to be followed under the Matching Grants; (iii) a list of eligible activities to be carried out with the Matching Grants; (iv) a list of excluded activities under the Matching Grants; (v) Matching Grant amounts and percentages of coverage; (vi) a monitoring and evaluation strategy for Matching Grants, including impact evaluation procedures; (vii) a communication strategy to make information available to all potential beneficiaries and to disseminate the results of the Project to the stakeholders, and (ix) the model form of the Matching Grant Agreement.

(b) Except as the Bank may otherwise agree in writing, the Borrower, through MoE, shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Matching Grants Manual or any provision thereof.

(c) In case of any conflict between the terms of the Matching Grants Manual and those of this Agreement, the terms of this Agreement shall prevail.

F. Environmental and Social Standards.

1. The Borrower, through MoE, shall, and shall cause ODIMM to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

2. Without limitation upon paragraph 1 above, the Borrower, through MoE, shall, and shall cause ODIMM to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank. To this end, the Borrower, through MoE, shall, and shall cause ODIMM to, ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Borrower, through MoE, shall, and shall cause ODIMM to, ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Borrower, through MoE, shall and shall cause ODIMM to establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

6. The Borrower, through MoE, shall, and shall cause ODIMM to ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation

and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

7. Without limitation upon paragraph 1 above, the Borrower shall, and shall cause ODIMM:

(a) to carry out Part 2 of the Project in conformity with the ESS, including the Project ESMS; and

(b) to ensure that the PFIs carry out their activities under Part 2 of the Project in conformity with the ESS, including the Project ESMS, where applicable, and their respective PFI ESMSs.

G. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Contingent Emergency Response Part"), the Bank shall ensure that:

(a) a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Bank, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

(b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Bank;

(c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and

(d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Bank.

2. The Borrower shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Bank.

3. The Borrower shall ensure that:

(a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Bank; and

(b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Bank.

4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

H. Excluded Activities and Expenditures

1. The following activities, as further detailed in the ESCP and other environmental and social documents referred to therein, are excluded and ineligible for financing under the Project, including through Matching Grants under Part 3.2 of the Project or through loans to receive a credit guarantee through the CGF:

(a) Any activities which may be associated with significant risks and impacts on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage will be rated as high or substantial risk and will be considered ineligible for Project financing.

(b) Any activities located in protected areas, critical and non-critical habitats or culturally or socially sensitive areas, along with activities that might have impacts on international waterways, including River Prut, Dniester, or Danube Delta.

(c) Any activities that involve physical or economic displacement. Should any land or property be acquired by beneficiaries, it will be on a willing buyer-willing seller basis as documented by legal transaction records.

(d) Any activities screened as involving significant risks to labor rights, health and safety of employees, and harmful child or forced labor.

(e) Any revision to laws that involves loosening of environmental and social protections or is unable to maintain or enhance environmental and social protections.

2. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, including through Matching Grants under Part 3.2 of the Project or through loans to receive a credit guarantee through the CGF, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EUR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services and consulting services and under Parts 2.2 and 2.3 of the Project	478,000	100%
(2) Capitalization of the CGF under Part 2.1 of the Project	(a)9,500,000 (b) 4,300,000	100%

(3) Goods, non-consulting services and consulting services, under Part 3.3 of the Project	2,850,000	100%
(4) Goods, non-consulting services and consulting services, under Part 3.4 of the Project	572,000	100%
(5) Emergency Expenditures	0	100%
TOTAL AMOUNT	**17,700,000**	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €100,000 may be made for payments made prior to this date but in no case before twelve (12) months prior to the Signature Date, for Eligible Expenditures under the Project.

(b) under Category (2) unless and until evidence satisfactory to the Bank is provided evidencing that:

(i) The Subsidiary Agreement referred to in Section I.B. of Schedule 2 to this Agreement has been entered into between the Borrower and ODIMM, in a manner acceptable to the Bank;

(ii) the Borrower has opened a separate treasury account for the Loan proceeds designated for the capitalization of the CGF, under Part 2.1 of the Project; and

(iii) The Borrower, through MoE, has caused ODIMM to prepare and adopt the CGF Operations Manual in form and substance acceptable to the Bank.

(c) under Category (2)(a), unless and until evidence satisfactory to the Bank is provided, evidencing that:

(i) Government Decision No. 828/2018 which approved the regulation of Law 179/2016 that established the CGF, has been amended to reflect the enabling of the CGF to issue Portfolio

Guarantees in accordance with Law Law 179/2016 as amended by Law 79/2022.

(ii) At least two (2) Letters of Intent have been received from potential PFIs, in content and substance acceptable to the Bank.

(d) under Category (2)(b), unless and until evidence satisfactory to the Bank has been provided, evidencing that the Action Plan set forth in Schedule 4 has been implemented in a manner satisfactory to the Bank.

(e) under Category (4), unless and until all funds under Category (5) of the withdrawal table set forth in Section III.A of Schedule 2 to the Financing Agreement have been entirely depleted.

(f) for Emergency Expenditures under Category (5), unless and until all of the following conditions have been met in respect of said expenditures:

(i) the Borrower has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Bank a request to withdraw Financing amounts under Category (5), and the Bank has agreed with such determination, accepted said request and notified the Borrower thereof; and

(ii) the Borrower has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Bank.

2. The Closing Date is August 2, 2027.

SCHEDULE 3

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning July 15, 2027 through July 15, 2056	1.67%
On January 15, 2057	1.47%

SCHEDULE 4

Action Plan

	Action
1	A financial model for the Portfolio Guarantee Scheme has been developed, approved and adopted by ODIMM and has been used for the following fiscal year planning.
2	A legal and regulatory review has been undertaken to assess eligibility to invest in State Securities and NBM Certificates.
3	An internal control manual for the CGF, incorporating segregation of functions and guidance on internal audit requirements, has been developed and approved by ODIMM.
4	A risk management framework, including policies and/or procedures on, *inter alia*: the financial model, cash controls, physical security, oversight of the PFIs, oversight of the investment of capital and a review of outreach materials/web presence has been developed and adopted by ODIMM.
5	Financial statements for CGF are produced for at least one full fiscal year, and audited by an independent external auditor, according to International Financing Reporting Standards.

APPENDIX

Definitions

1. "Action Plan" means the Action Plan to enable the sustainability of the CGF, set forth in Schedule 4 to this Agreement.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 6 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

3. "Business Improvement Plan" means the business plan presented by a Matching Grant Beneficiary which was deemed eligible to receive a Matching Grant under Part 3.2 of the Project, which includes, *inter alia*: a clearly defined objective, project start and end dates, estimated budget, description of business development services, necesary equipment and an implementation action plan, as further set forth in the Matching Grants Manual.

4. "Business Inspections Procedures" means all inspection activities, including planning inspections, conducting inspections, selecting and imposing inspection measures to address irregularities and offenses, follow-up inspections, and reporting on inspections implemented by Inspection Agencies.

5. "Business Permits" means business permits, licenses, certificates, and any other authorization required by the Recipient for an enterprise to operate in its territory and integrated through the MMIP.

6. "Buyer-Supplier Platform" means the Borrower's electronic platform housed in ODIMM, which has the objective of connecting buyers and suppliers.

7. "Capped Portfolio" means a portfolio of loans backed by a Portfolio Guarantee through a Guarantee Agreement, which is subject to a maximum payout for losses arising under the loans included in said portfolio.

8. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

9. "CERC Manual" means the manual referred to in Section G.1(a) of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Bank, and which is an integral part of the Project Operations Manual.

10. "CGF" means the Borrower's Credit Guarantee Fund established pursuant to the CGF Legislation.

11. "CGF Legislation" means the Government Decision No. 538/2007 dated May 25, 2007 through which the CGF (former Fund for Entrepreneurship Development and Small Business Development) was ascribed to ODIMM and Government Decision No. 828/2018 published in the Official Gazette on August 24, 2018, which sets forth the objectives, activities and organization of the CGF, both as amended from time to time, in a manner acceptable to the Bank.

12. "CGF Operations Manual" means the manual referred to in Section I.E.2 of Schedule 2 for purposes of implementing Part 2.1. of the Project.

13. "Contingent Emergency Response Part" means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.

14. "E-Inspection System" means the Borrower's business inspection registry software.

15. "EEPs" or "Eligible Expenditure Program" means a portion of the Borrower's budgetary allocation for financing (i) MoE's staff compensation costs and associated taxes and (ii) support for digitization of small and medium enterprises, incurred by the Recipient for carrying out the activities under Parts 1.1(d) and 1.2(e) of the Project, under budgetary lines 5001, 00010, 211800, 212110, and 5004 and any other budget lines with equivalent concept after budget restructure, acceptable to the Bank.

16. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster.

17. "Eligible MSME" means any MSME eligible to receive a Matching Grant under Part 3.2 of the Project, based on the eligibility criteria set forth in the Matching Grant Manual, collectively referred to "Eligible MSMEs".

18. "Emergency Action Plan" means the plan referred to in Section G.1(b) of Schedule 2, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

19. "Emergency Expenditures" means any of the eligible expenditures set forth in the CERC Manual referred to in Section G.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.

20. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 26, 2022 as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall

carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

21. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; and (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Bank.

22. "ESMS" means the Environmental and Social Management System and includes the Project ESMS and the PFI ESMS. "ESMSs" means the plural thereof.

23. "EU" means the European Union.

24. "Excluded Expenditures" means:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank has financed or agreed to finance, or which the IBRD, the IDA or the Bank has financed or agreed to finance under another loan, credit, grant or any other trust fund credit, or trust fund grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages

Group	Sub-group	Description of Item
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Recipient, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Bank;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or such other recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

25. "Financial Sector Institutions" means commercial banks, non-bank financial institutions and financial sector regulatory bodies in the territory of the Borrower, and any other financial institution as agreed by the Bank.

26. "Financing Agreement" means the financing agreement for the Project between the Borrower and the Association, dated the same date as this Agreement, as such agreement may be amended from time to time. "Financing Agreement" includes all appendices, schedules and agreements supplemental to the Financing Agreement.

27. "G2B" or "Government to Business" means all interactions between Moldovan Enterprises and the multiple Recipient's organizations dedicated to implement business regulations.

28. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, April 1, 2021, and January 1, 2022).

29. "Guarantee Agreement" means each of the agreements to be entered into between ODIMM and the PFIs referred to in Section I.C of Schedule 2 of this Agreement, in a manner acceptable to the Bank.

30. "Inspection Agencies" means all public administration authorities created by law, which have the right to initiate and perform inspections pursuant to: (i) Law No.131, dated June 8, 2012, on state inspection of entrepreneurial activity, as amended, and regulated through Government Decree No.464 dated May 23, 2018, as amended, and (ii) Government Decree No. 355/2020 dated October 6, 2020, which approved the methodology for establishing objectives and setting KPIs for Inspection Agencies.

31. "Inspection Equipment" means the equipment used by Inspection Agencies to implement the Business Inspection Procedures, including, *inter alia*: laptops, testing equipment, sampling equipment, field verification equipment and

specialized pressure equipment, as further set forth in the Project Operations Manual.

32. "Integrated Service Delivery Platform" means the Borrower's public sector digital platform that enables digital and integrated informational and transactional G2B services to implement the business regulation.

33. "KPIs" or "Key Performance Indicators" means the key performance indicators set forth in each KPI Action Plan, in compliance with the KPI Methodology Legislation,

34. "KPI Action Plan" means any given annual action plan prepared by each Inspection Agency, and approved by each respective line ministry, setting forth its KPIs for a specific year, all in accordance with the KPI Methodology Legislation.

35. "KPI Methodology Legislation" means the Borrower's Government Decree No. 355/2020 dated October 6, 2020, as amended from time to time, in a manner acceptable to the Bank. KPI Methodology Legislation includes the Annexes to said legislation.

36. "Letter of Intent" means a letter from a potential PFI to ODIMM, expressing interest in participating in the Portfolio Guarantee Scheme by entering into a Guarantee Agreement with ODIMM under Part 2.1 of the Project.

37. "Matching Grant" means any grant to be provided by the Borrower out of the MGF to each Matching Grant Beneficiary from the proceeds of the Loan, for purposes of implementing a Business Improvement Plan, as further described in Section I.D. of Schedule 2 to this Agreement, in the Project Operations Manual and the Matching Grants Manual.

38. "Matching Grant Beneficiary" means any MSME selected in accordance with open and transparent procedures, and in accordance with the eligibility criteria set forth in the Matching Grant Manual, which will benefit from the provision of a Matching Grant under Part 3.2 of the Project.

39. "Matching Grants Manual" means the manual acceptable to the Bank and adopted in form and substance set forth in Section I.D of Schedule 2 to this Agreement, for the provision of Matching Grants under Part 3.2 of the Project.

40. "MConnect" means the Borrower's digital platform that implements the Interoperability Framework.

41. "MGF" or "Matching Grants Facility" means the Borrower's mechanism to provide Matching Grants to eligible Matching Grants Beneficiaries for the

purposes of co-financing Business Improvement Plans under Part 3.2 of the Project, under terms and conditions satisfactory to the Bank.

42. "MGFT" or "Matching Grants Facility Team" means the team established within ODIMM, responsible for coordinating the implementation, supervision, completion, and documentation of all the activities related to the MGF, referred to in Section I.A.2(c) of Schedule 2 to this Agreement.

43. "MMIP" means the Borrower's Mechanism for Managing and Issuing Permits, consistent of an integrated online system, created pursuant to Government Decrees No. 550 and No. 551, both dated June 13, 2018.

44. "MoE" means the Borrower's Ministry of Economy.

45. "Moldovan Enterprises" means enterprises established and operating in the Borrower's territory.

46. "Moldovan Lei" means the local currency of the Borrower.

47. "MSME" means micro, small, and medium size enterprises.

48. "NBM" or "National Bank of Moldova" means the Borrower's National Bank.

49. "NBM Certificates" means debt securities issued by NBM as open market instruments.

50. "ODIMM" means the Borrower's Organization for Small and Medium-size Enterprise Development, established pursuant to ODIMM Legislation, or any successor thereto acceptable to the Bank.

51. "ODIMM Legislation" means the Borrower's Government Decision No. 659 dated October 21, 1993, as amended to the date of this Agreement, which established ODIMM.

52. "Online Application Rate" means the ratio of MSMEs submitting their applications to receive Business Permits online through MMIP, vis a vis those applications submitted on paper.

53. "Operating Costs" means the reasonable incremental expenses incurred by the Borrower on account of Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding salaries of officials of the Borrower's civil service) including costs related to office equipment and supplies, vehicle operation and maintenance, shipping costs, translation costs, office rentals, communication costs, office administration costs, bank charges,

utilities, transport costs, travel, per diem and other reasonable expenditures directly associated with implementation of the Project activities agreed by the Bank.

54. "PFI" or "Participating Financial Institution" means a commercial bank acceptable to the Bank and selected by ODIMM according to the criteria set forth in the CGF Operations Manual, to participate in the implementation of Part 2 of the Project.

55. "PFI ESMS" means the Environmental and Social Management System satisfactory to the Bank established by each PFI for the purpose of identifying, assessing, managing and monitoring the environmental and social risks and impacts of the activities under Part 2 of the Project on an ongoing basis, and includes inter alia the following: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of the activities under Part 2 of the Project ; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of the activities under Part 2 of the Project; and (v) external communications mechanism. "PFI ESMSs" means the plural thereof.

56. "PIU" or "Project Implementing Unit" means the unit within MoE referred to in Section I.A.2 (a) of Schedule 2 to this Agreement, and responsible for the day-to-day activities of the Project.

57. "Project ESMS" means the Environmental and Social Management System satisfactory to the Bank to be established by ODIMM, for the purpose of identifying, assessing, managing and monitoring the environmental and social risks and impacts of the activities under Part 2 on an ongoing basis, and includes *inter alia* the following: (i) environmental and social policy; (ii) clearly defined procedures for the identification, assessment and management of the environmental and social risks and impacts of the activities under Part 2; (iii) organizational capacity and competency; (iv) monitoring and review of environmental and social risks of the activities under Part 2; and (v) external communications mechanism. "Project ESMSs" means the plural thereof.

58. "Portfolio Guarantee" means the partial risk coverage provided by ODIMM (through the CGF) to PFIs for a portfolio of Selected MSME loans created in accordance with the eligibility criteria and procedures set forth in the CGF Operations Manual and pursuant to the respective Guarantee Agreement. "Portfolio Guarantees" is the plural of thereof.

59. "Portfolio Guarantee Scheme" means the operational structure within ODIMM and program guidelines used to provide Portfolio Guarantees to PFIs under Part 2 of the Project.

60. "Procurement Regulations" means, for purposes of paragraph 84 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.

61. "Selected MSME" means any MSME eligible to receive a loan from a PFI that is covered by a Portfolio Guarantee issued by ODIMM under Part 2.1 of the Project, based on the eligibility and selection criteria set forth in the CGF Operations Manual, collectively referred to "Selected MSMEs".

62. "Selected Registries" means selected registries of the Borrower to be agreed between the Borrower and the Bank, as further set forth in the Project Operations Manual.

63. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.

64. "State Securities" means securities issued by the Ministry of Finance of the Republic of Moldova.

65. "Subsidiary Agreement" means the Agreement between the Borrower and ODIMM referred to in Section I.B of Schedule 2 to this Agreement.

66. "Training" means reasonable costs associated with training under the Project (other than those for consultants' services) incurred by the Borrower to finance the reasonable travel costs (i.e. accommodation, transportation, travel insurance and *per diem, inter alia*) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials, all for the purposes of, and directly related to, the training activities described in the Project, all based on the semi-annual budgets acceptable to the Bank.

67. "Uncapped Portfolio" means a portfolio of loans backed by a Portfolio Guarantee through a Guarantee Agreement, which is not subject to a maximum payout for losses arising under the loans included in said portfolio.